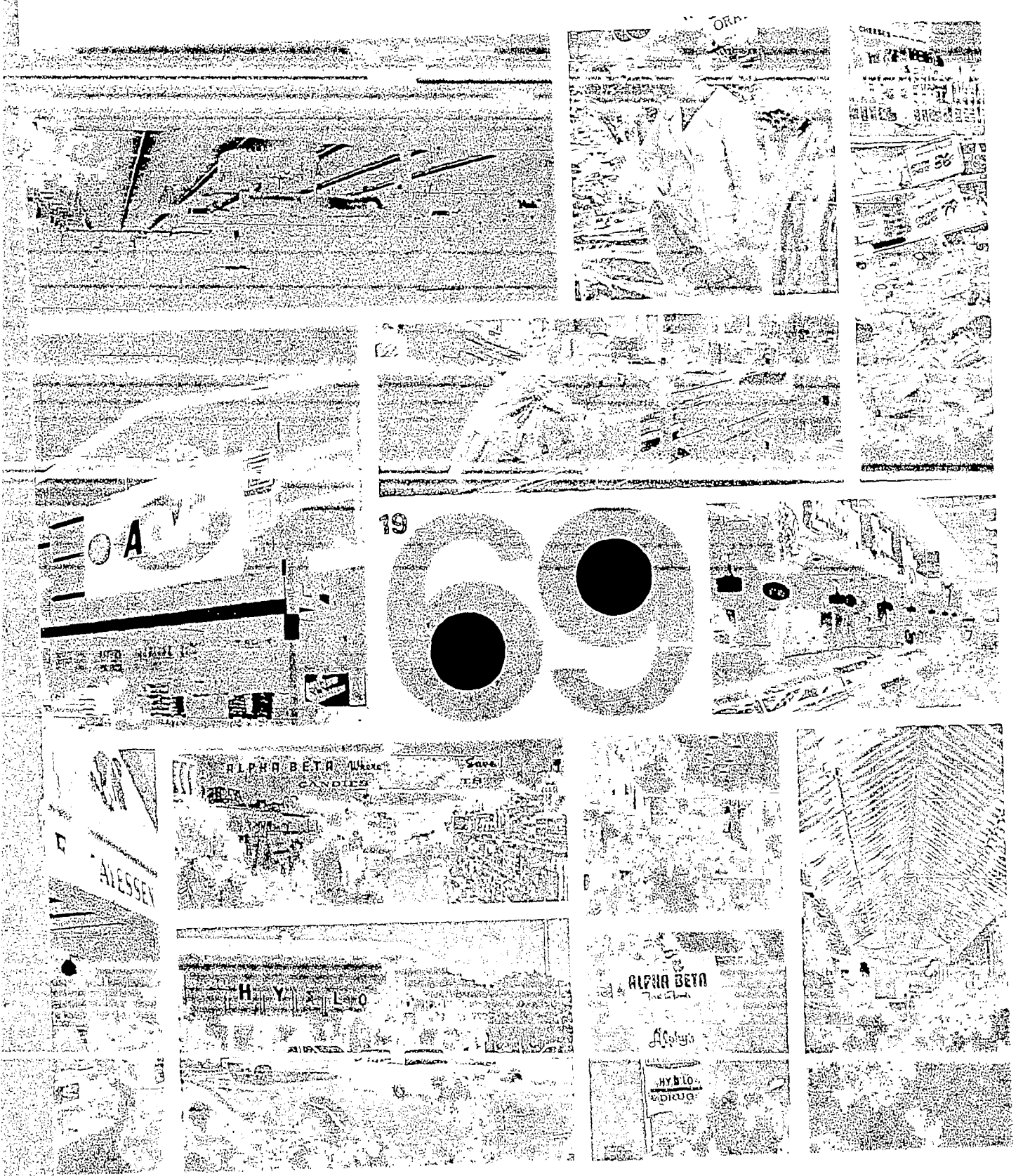


CME MARKETS, INC.

ANNUAL REPORT



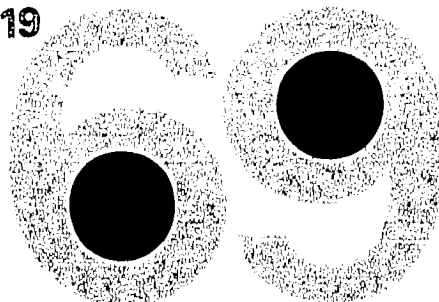
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**19**



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Fiscal year ended March 29, 1969

### **Annual Meeting**

The annual meeting of stockholders will be held in the Burgundy Room of The Bellevue-Stratford Hotel, Broad and Walnut Streets, Philadelphia, Pa. on Wednesday, June 25, 1969, at 3 P.M.

### **General Offices**

124 North 15th Street  
Philadelphia, Pa. 19102

# 1969 Highlights

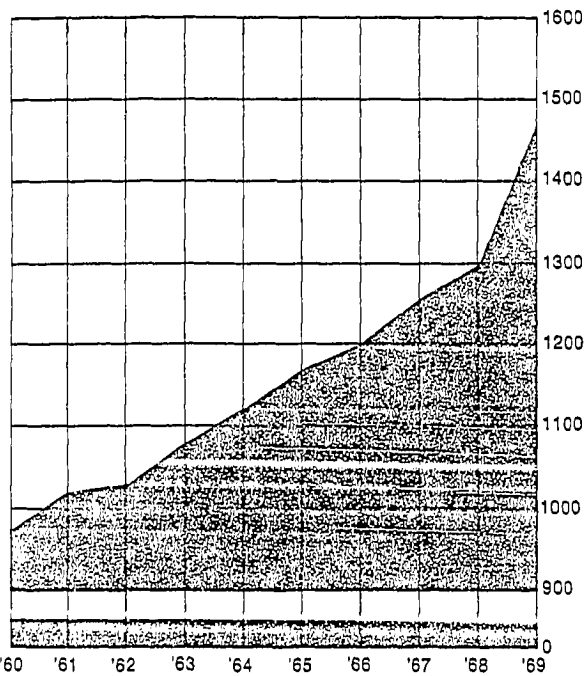
Fiscal year ended March 29, 1969 (with comparative figures for preceding year)

	1969	1968
<b>Sales</b>	<b>\$1,471,080,148</b>	<b>1,293,764,675</b>
<b>Net Earnings</b>	<b>\$10,744,816</b>	<b>8,326,638</b>
<b>Earnings Per Share</b>	<b>\$3.55</b>	<b>2.75</b>
<b>Stockholders' Equity Per Share</b>	<b>\$55.63</b>	<b>54.03</b>
<b>Number of Shareholders</b>	<b>15,789</b>	<b>15,799</b>
<b>Number of Employees</b>	<b>31,749</b>	<b>30,214</b>

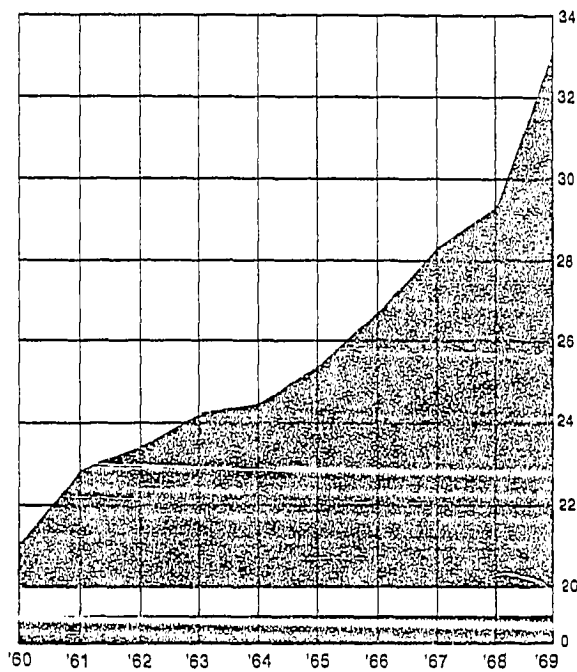
## Retail Units in Operation

<b>Food Stores</b>	<b>813</b>	<b>827</b>
<b>Rea &amp; Derick Stores</b>	<b>62</b>	<b>56</b>
<b>Hy-Lo Stores</b>	<b>9</b>	<b>8</b>
<b>Alphy's Coffee Shops</b>	<b>13</b>	<b>9</b>
<b>Total Food Store Sales Area (square feet)</b>	<b>9,139,983</b>	<b>9,063,493</b>

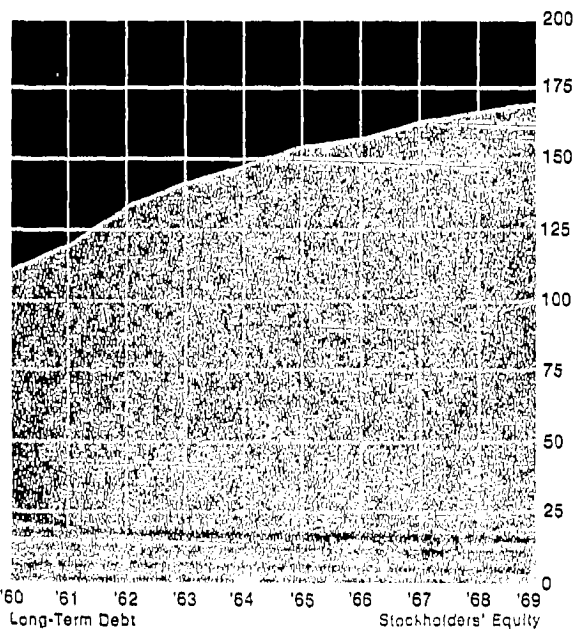
**Sales**  
MILLIONS OF DOLLARS



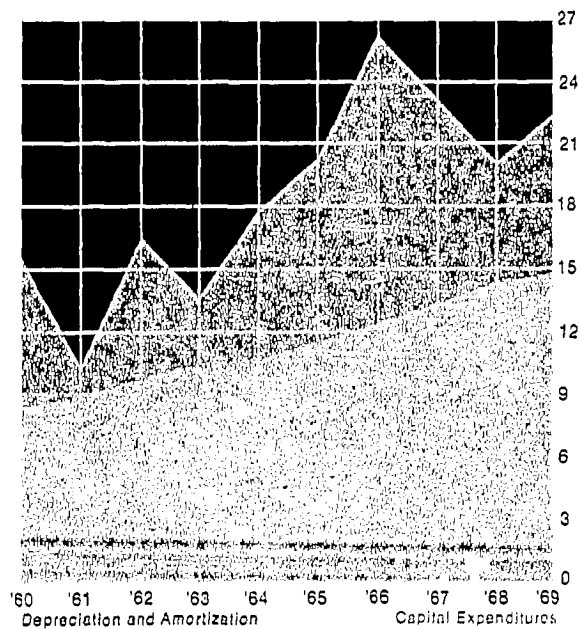
**Average Weekly Sales Per Food Store**  
THOUSANDS OF DOLLARS

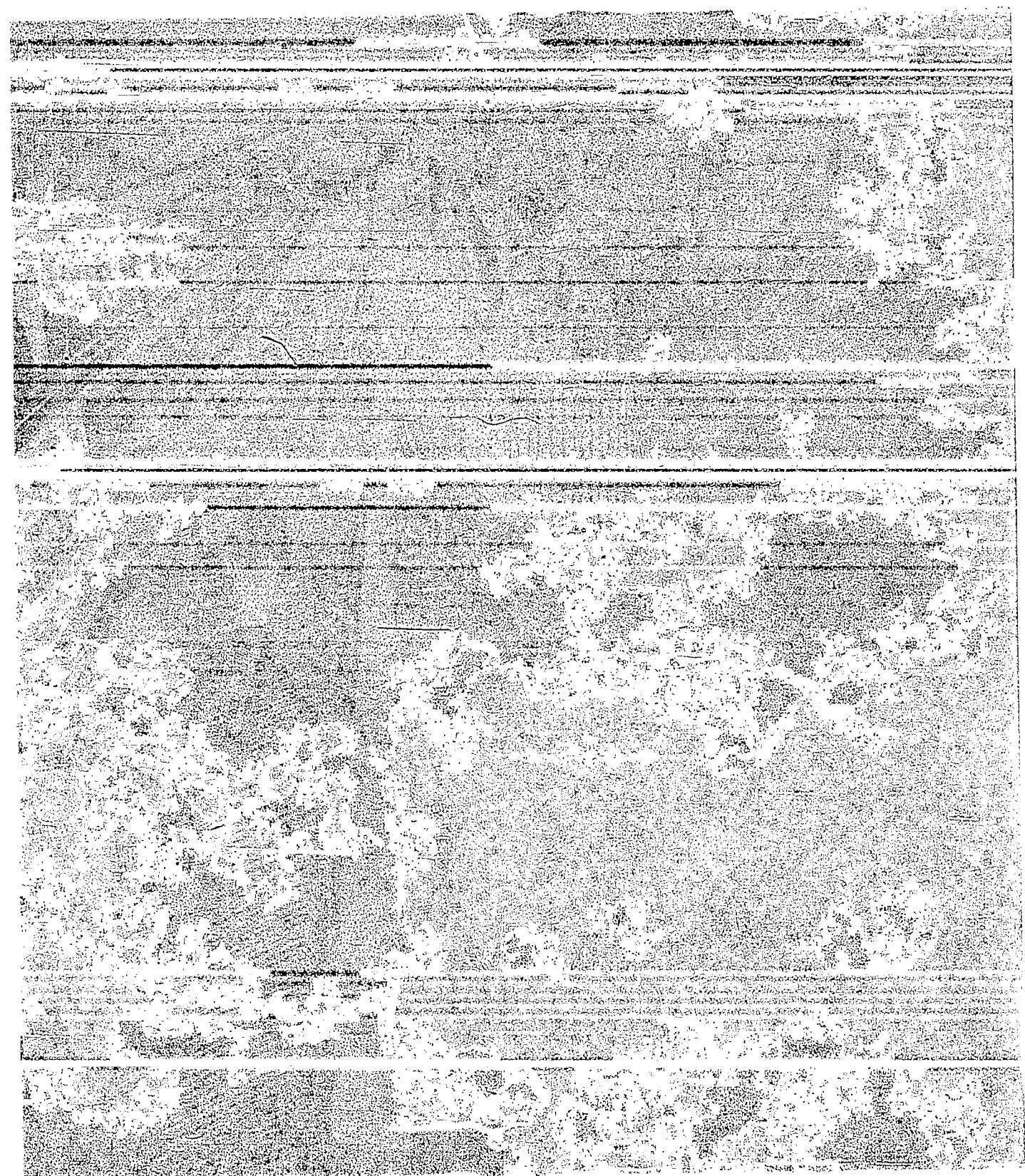


**Stockholders' Equity and Long-Term Debt**  
MILLIONS OF DOLLARS



**Capital Expenditures and Depreciation**  
MILLIONS OF DOLLARS





Sales for the 52 weeks ended March 29, 1969 increased to \$1,471,080,148, representing a gain over the preceding year of \$177,315,473. This is the 31st consecutive year that sales have increased over the previous year, and the largest single dollar increase of any year in our history.

Earnings for the year were \$3.55 per share on the average number of shares outstanding compared to \$2.75 per share adjusted for the last stock dividend. The increase in earnings per share was 29%.

Sales were strong throughout all of the year, reflecting the continued improvement that began in the second half of the previous fiscal year. Sustained sales growth over an extended period of time is an important factor in the ability to improve the margin of profit on sales. With this sound base, earnings were also able to show a significantly higher level of performance from the beginning of the year. As was mentioned in last year's report, Alpha Beta suffered a temporary decline in earnings following the successful introduction of a new discount merchandising approach. However, Alpha Beta was able to overcome the changeover costs by the time the new fiscal year began, so that we enjoyed the full benefit of Alpha Beta's new program throughout the entire year. The wise judgment and merchandising skill of our Alpha Beta people were demonstrated in this past year.

In the East, with a more heterogeneous marketing environment, we are striving to offer the best merchandising strategy for each area we serve. The ability to respond to the particular needs of a community quickly and flexibly is a factor of increasing importance in today's food merchandising. Our Company is in the forefront of developing marketing programs designed to keep abreast of changing attitudes in the consumers' needs and desires. Two of our many responses to this shift in merchandising concept are described in the New Ventures section of this report, Super Saver discount operations in the East and the entry into the fast-food restaurant business to fill the need of today's customer for fast, inexpensive, quality family eating.

At the annual meeting held on June 26, 1968, Mr. Edward J. Dwyer was elected a director. Mr. Dwyer is President of ESB Incorporated and director of several other companies as well as a director of the Federal Reserve Bank of Philadelphia. Arthur Littleton, a director since 1956, retired in keeping with the retirement policy of the Board of Directors. We are most grateful to him for his many contributions to the Company.

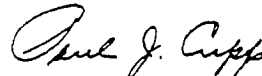
On October 1, 1968, Clifford T. Haskell, President of Alpha Beta Acme Markets, Inc., became that firm's Chief Executive Officer. Claude W. Edwards, who had held that responsibility, continues as Chairman of the Board, and was named to the newly created post of Vice Chairman of the Board of Acme Markets, Inc. This move, which was effective November 1, 1968, has

enabled Mr. Edwards to assist Acme Board Chairman, Paul J. Cupp, in coordinating the activities of West Coast operations with those in the East. His duties include corporate capital project planning and evaluation of expansion opportunities.

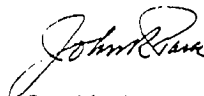
Mr. Haskell brings to his new position an outstanding background of 36 years' experience in the Alpha Beta organization.

The favorable sales trend has continued to date in the current year. Our merchandising programs have been drawing customers. Our Acme people are constantly improving their ability to serve customers more effectively. We expect to maintain forward momentum in both sales and earnings.

Respectfully submitted,



Chairman  
Board of Directors



President  
and Chief Executive Officer

Philadelphia, Pa.  
May 20, 1969





**Sales** Sales increased 13.7% over those of the previous year. Sales for the 52 weeks ended March 29, 1969, totaled \$1,471,080,148 compared with \$1,293,764,675 for the year ended March 30, 1968.

Improved sales were achieved throughout all retail segments of the Company. Merchandising plans tailored to the desires of the consumer in each area generated higher volume. The discount approach, initiated first by Alpha Beta in the West, followed by the Super Saver discount program in the East, as well as the reintroduction of S. & H. trading stamps in 86 northern New Jersey Acme markets, all contributed to the increased sales reported.

**Earnings** Earnings for the fiscal year advanced to \$3.55 a share compared with \$2.75 the prior year, adjusted for the 2% stock dividend paid March 29, 1969. Net earnings after taxes were \$10,744,816 compared with \$8,326,638 the previous year, an increase of 29%. Investment tax credits were equivalent to 35¢ per share, up from last year's 21¢.

The large gain in sales provided the base for the improvement in earnings. Merchandising programs more sensitive to each marketing area combined with continued emphasis on cost controls, let more of the sales dollar flow through to profits.

**Dividends** Total cash dividends paid by the Company again increased and were \$5,926,568 compared with \$5,815,172 the previous year. This payment marked the twenty-seventh consecutive year in which the Company has paid a regular quarterly cash dividend. Cash dividends paid to stockholders have more than doubled since 1955.

A 2% stock dividend was paid on March 29, 1969. This was the sixteenth consecutive annual stock dividend of the Company and involved the issuance of 61,410 shares valued at \$2,702,040.

**Financial Position** Working capital was down by \$2,715,165 to \$66,331,921 from last year. The ratio of current assets to current liabilities was 1.66 to 1 compared to 1.82 to 1 the previous year. Capital expenditures for the year were \$22,268,388, an increase of \$1,463,156 over the 1968 fiscal year.

Working capital needs during this year will be provided by short-term borrowing and proceeds from the sale and leaseback of owned properties. The Company has more than adequate sources of funds for current requirements.

The increase in capital expenditures is principally a result of expansion of the distribution center and offices at Alpha Beta and the installation of equipment at the Lincoln meat packing and processing plant.

**Store Program** During the year 24 new food stores were opened. Included in this number were eight Alpha Beta markets, six of which were in the San Francisco Bay area. Rea & Derick, Inc., the eastern drug store subsidiary, opened six new stores and Alpha Beta added four Alphy's Coffee Shops and one Hy-Lo drug store to those in operation.

Plans for the current year call for the opening of at least 30 new food stores. Of this number, 10 will be Alpha Beta markets. In addition, Alpha Beta has scheduled eight new Alphy's Coffee Shops. Rea & Derick will add five new stores this year.

Ten stores were enlarged and 88 were remodeled. Continuing this program of adding selling space to certain stores and modernizing others to provide better customer service, plans for the current year call for 17 additions to existing stores and remodeling 61 others.

During the year Acme closed 35 food stores and Alpha Beta three as part of the overall plan to present modern, attractive stores to the customer.

At the end of the year, the Company had 884 stores in operation, including 62 Rea & Derick stores and 9 Hy-Lo drug stores operated by Alpha Beta. Four service food stores also remain, down from 65 ten years ago.



**Facilities** The installation of the equipment in the new building at the meat packing and processing plant in Lincoln, Neb., has been completed. This modern facility is now producing the finest quality meat products for the stores with a high degree of efficiency. Beef, ham, sausage and luncheon meats are consolidated along with lamb forwarded from Pueblo, Colo., into pre-selected store orders for piggy-back rail shipment to a rail junction point near a division distribution center. The trailers are then hauled by Acme tractors directly to each market, giving the store fresh quality meats at the peak of condition.

In April of this year, the Board of Directors visited the plant and toured every phase of the operation. Pictures on the inside back cover show several stops during the tour.

The continued strong sales gain registered by Alpha Beta has led to another expansion of the Alpha Beta distribution center and offices in La Habra to meet the growing demand by the Alpha Beta markets in southern California. This project is scheduled to be completed by December 1969. In addition, the entry of Alpha Beta into the San Francisco Bay area in October 1967 has proceeded to the point where a site has been acquired for the construction of a modern distribution facility in the Bay area. Centralized distribution services will be available by the time sales volume justifies the need for local distribution facilities.

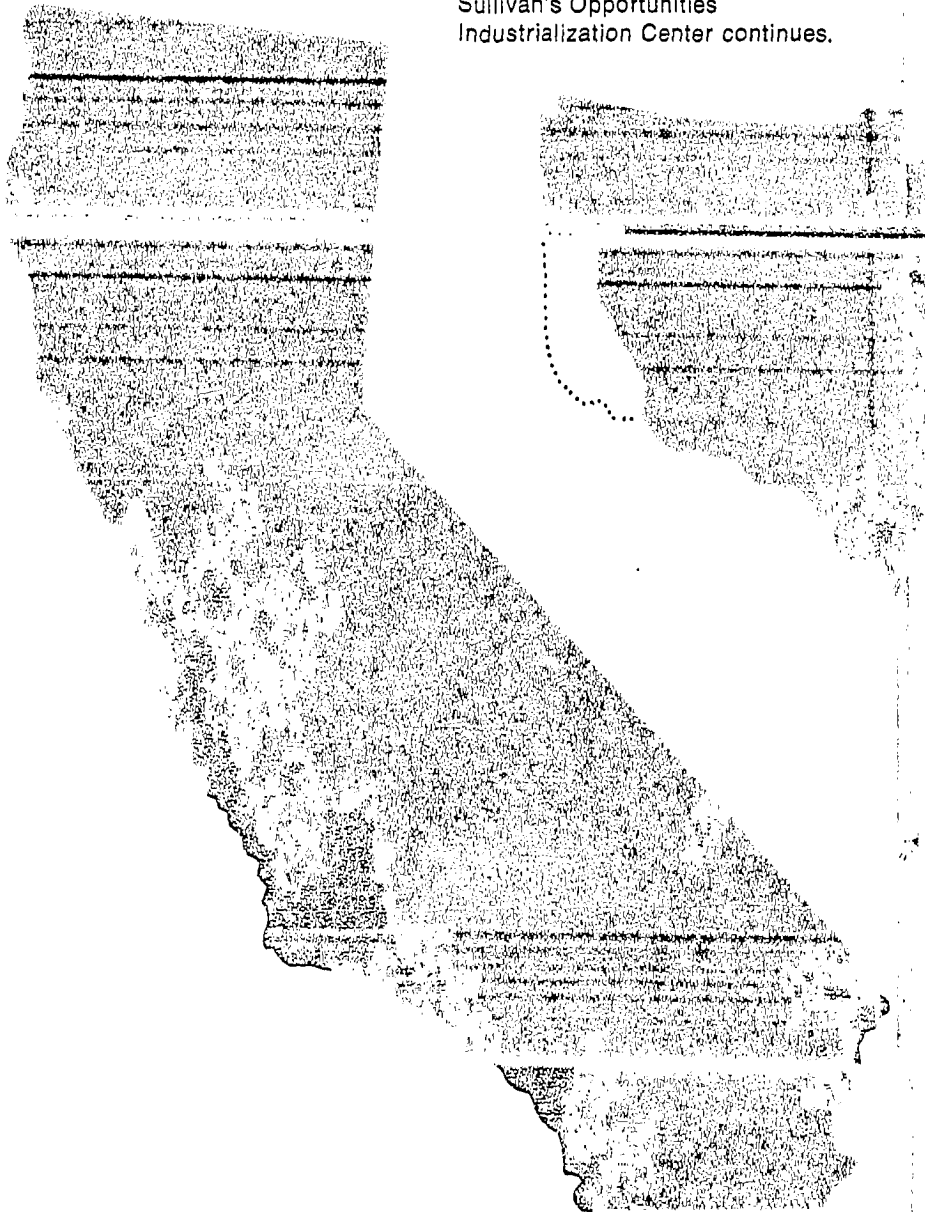
**Employee Training and Development** Acme is fortunate in having over 2,000 employees with more than 25 years of service. A continuing recruiting program has added fine young people each year. Training, both on the job and in schools, is designed to help all do a better job. The Company-wide courtesy program is one part of this plan. Customers helped shape the

direction of this instruction by participating in a customer write-in program. Through questionnaires available in each store, they let their desires be known.

In addition to seminars and workshops both within and outside the Company, educational opportunities are made available in several other ways. Part time employees who have high school grades and a major course of study sufficient to meet the entrance

requirements at an approved college or university, are eligible for Acme's scholarship program which began in 1966. A number of young people have qualified for these scholarships. For certain courses directed toward job improvement or advancement there is a tuition refund program under which a full time employee receives a refund of part of his tuition costs upon successful completion of a course of study.

The cooperative effort at Dr. Leon Sullivan's Opportunities Industrialization Center continues.

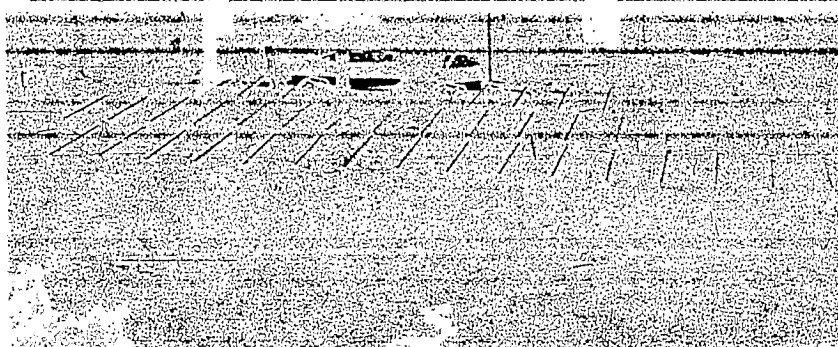
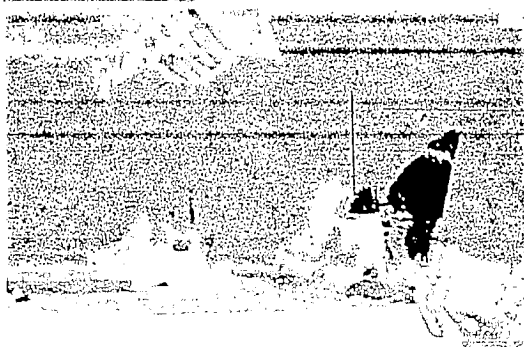
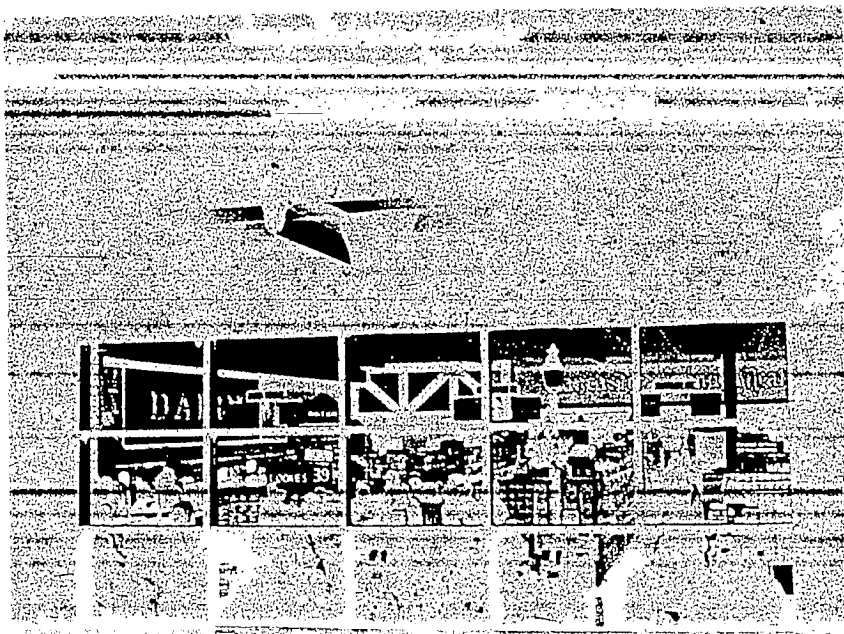


Three classes of disadvantaged ghetto youths have graduated to full time employment with Acme from a course in which the student spends one-half day at OIC receiving instruction in basic skills and job organization background. The remainder of the day is spent as a trainee at Acme. Cooperative programs make it possible for the graduates of these classes to upgrade their positions within the Acme organization.



Number of Stores by States	
Pennsylvania	339
New Jersey	164
Delaware	29
Maryland	74
New York	97
Virginia	13
West Virginia	5
California	163
Total	884

★Philadelphia, Pa. Main Office  
 ▲Division Offices  
 . Boundary of Acme Area



A B  
C



**A** Chairman of the Board Paul J. Cupp welcomes another new member of Acme's Quarter Century Club. Over 2,000 Acme employees (including Alpha Beta) have 25 years or more of service.

**B** A look inside a new Acme market.

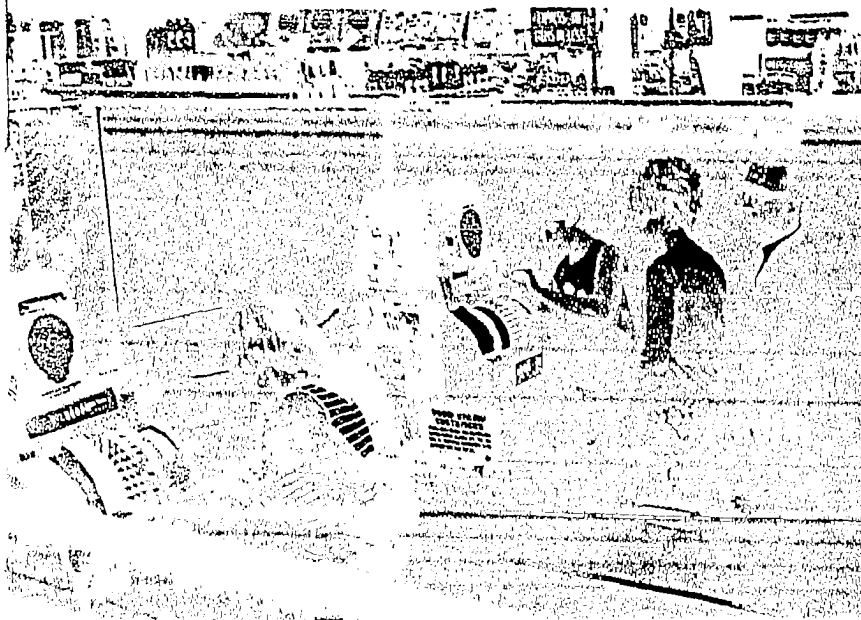
**C** Acme is working with OIC (Opportunities Industrialization Center) to recruit and train ghetto residents for market and distribution center jobs.

**D** Since 1944, Acme's school for checkers has been preparing employees to meet the public with courtesy and accuracy, both in school classrooms and in on-site enclosures like this one.

**E** A modern restaurant within one of the Rea & Derick drug stores.

**F** "Electronic box offices" are being tested in two Acme markets. Operated by Ticket Reservations Systems, Inc., the system lets customers purchase tickets to sporting and theatrical events, at the store.

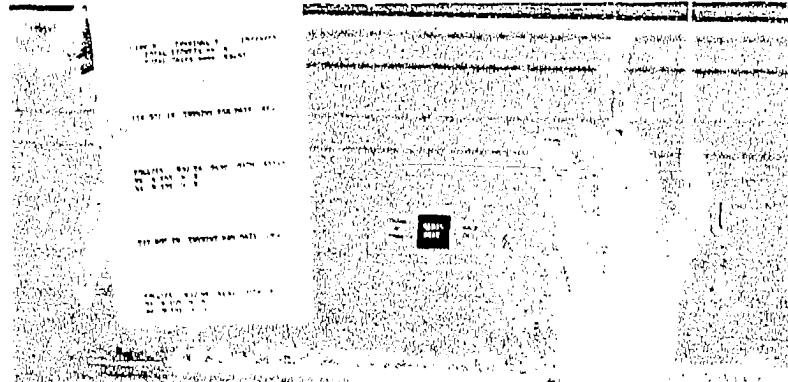
**G** New Baltimore (Md.) division office, near the Baltimore Beltway.



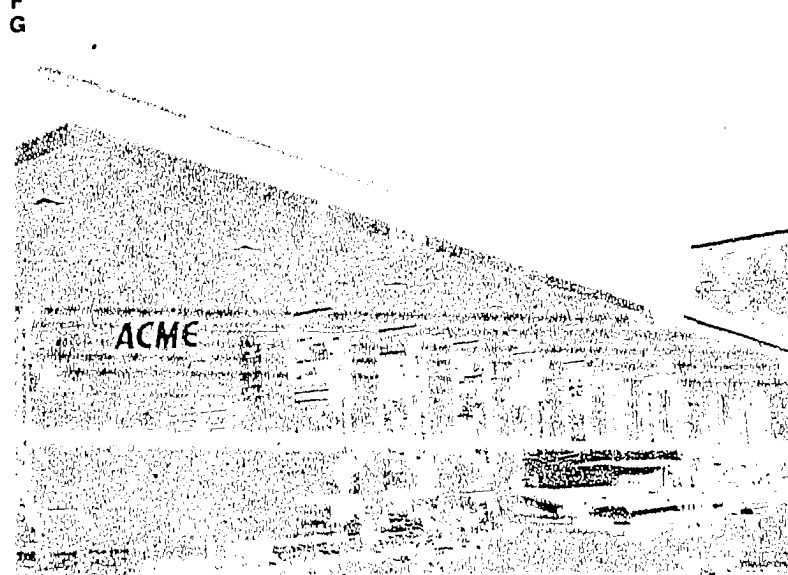
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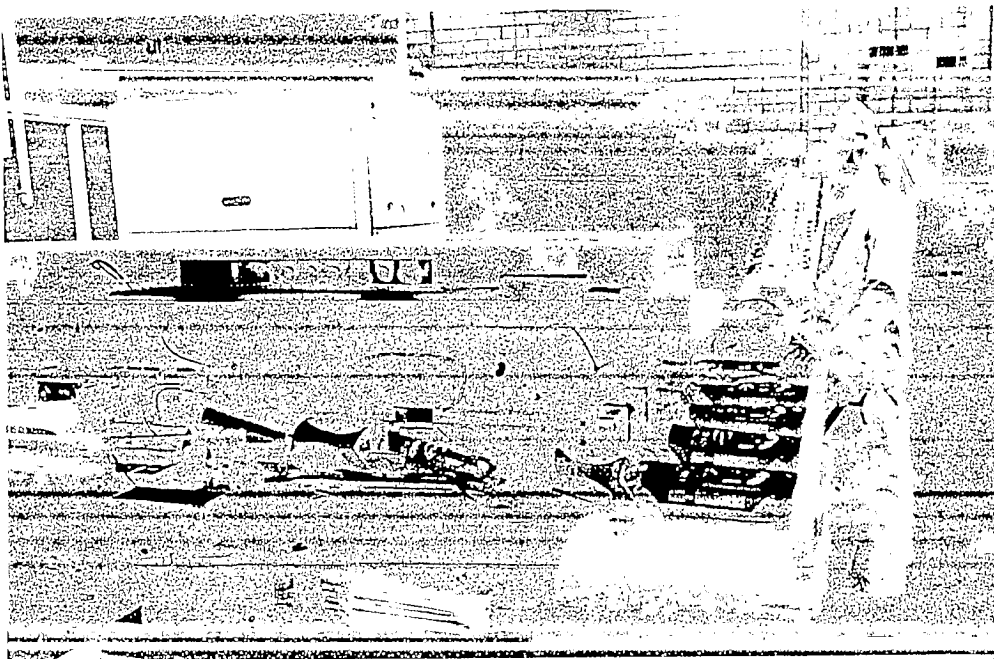
E



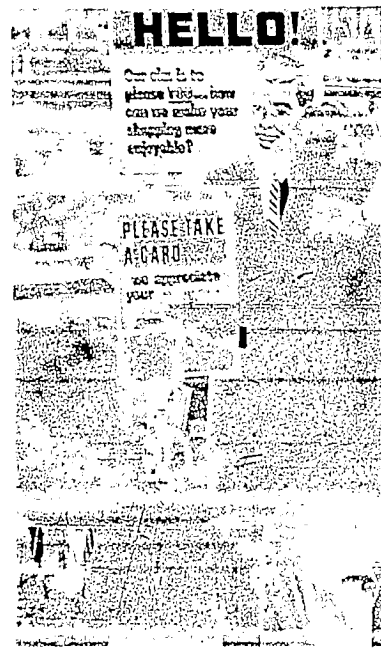
F



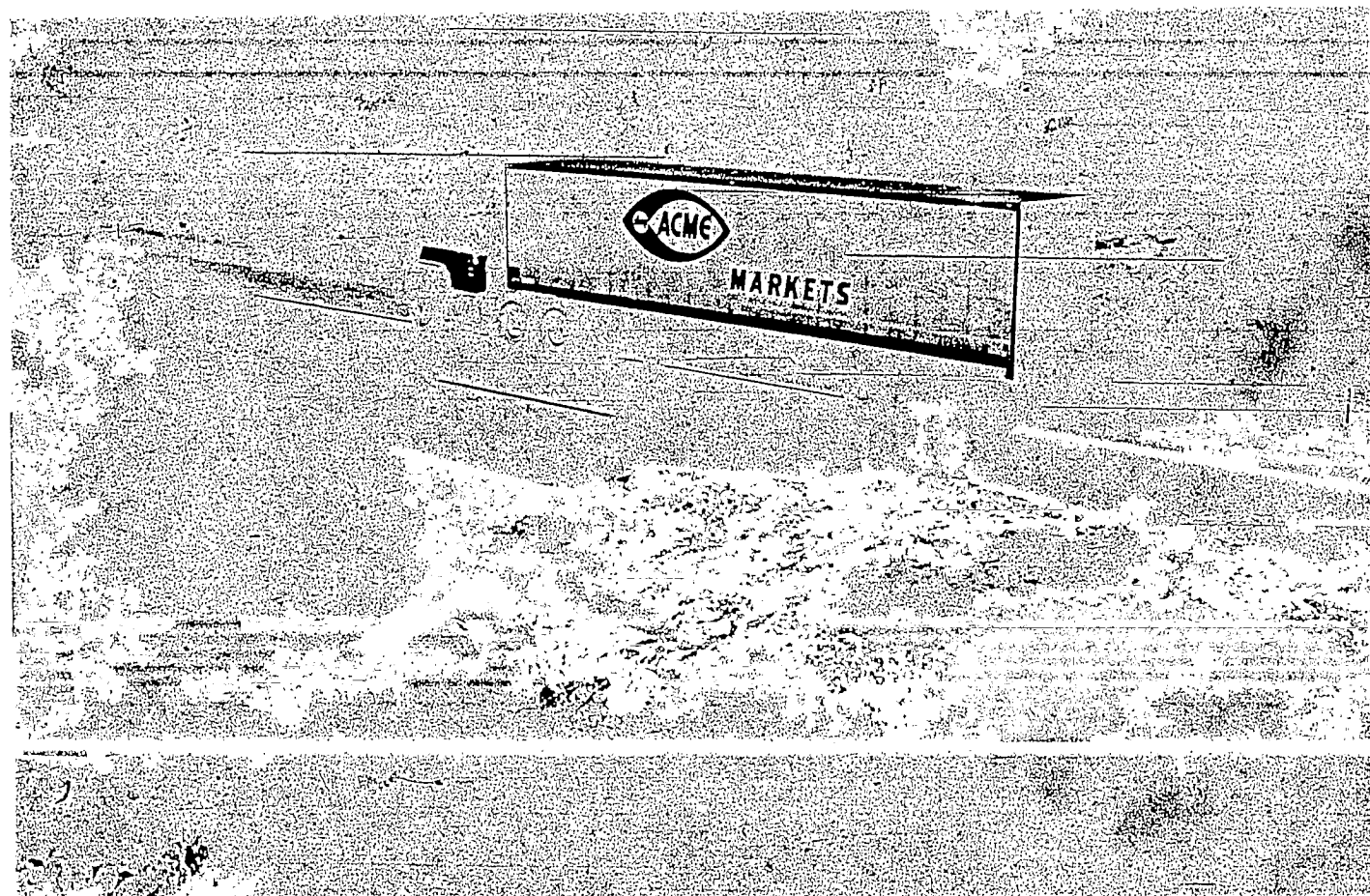
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A

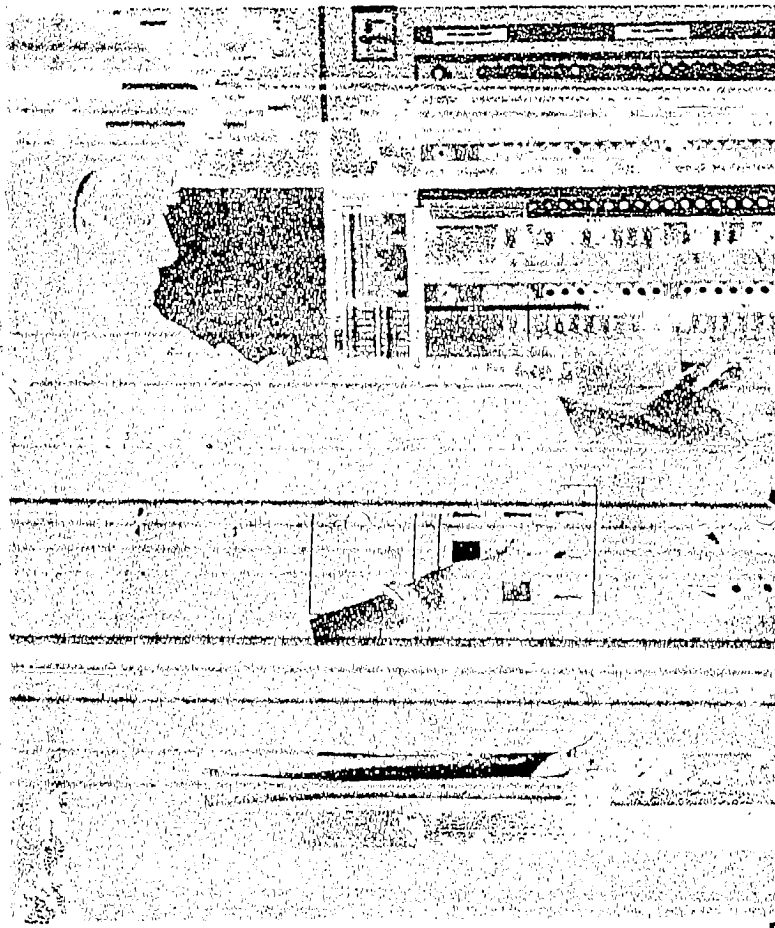


B



C





**A** New bagging equipment is being installed in all Acme bakeries to meet customer demand for sliced bread and buns in plastic bags.

**B** A visit to Acme should be a treat . . . and it is! With the customer's help, Acme is striving to make it better, through its Customer Write-In Program.

**C** A typical tractor-trailer based at one of Acme's 10 distribution centers.

**D** Computer center at Acme headquarters.

**E** Company-wide courtesy program is helping make Acme the most courteous place in the world to work and shop. This double award winner of a courtesy citation is from the Shavertown (Pa.) market.

**F** Store clerks tour an Acme bakery as part of new personnel program to interest young clerks in a food retailing career.



**D**  
**E**  
**F**





**Acme Markets, Inc.**, is entering the fast-food restaurant franchising field. The Company has agreed with Hardee's Food Systems, Inc., Rocky Mount, N.C., to act as its franchise agent for Hardee's and Hardee's Li'l Chef limited menu, fast service restaurants in Acme's eastern operating territory. Hardee's is one of the South's fastest-growing and most aggressive fast-food organizations.

Under the agreement, a new organization, Mid-Atlantic Hardee, Inc., a wholly-owned subsidiary of Acme Markets, Inc., will offer franchises to operate Hardee's self-service restaurants in Pennsylvania, New Jersey, New York and Delaware. Hardee's will license 180 or more outlets in Acme's marketing area within the next five years.

Hardee's presently operates, franchises, and provides services to 180 Hardee's and Hardee's Li'l Chef restaurants in 11 southern and southwestern states. The North Carolina Company, whose growth has been described as outstanding by experts in the franchising and restaurant fields, is less than ten years old. Its fame has been built on a limited menu, self-service program featuring charco-broiled hamburgers, cheeseburgers, french fried potatoes, apple turnovers, milk shakes and soft drinks.

Attractive franchising plans, several financing options, and continuous direct help, training and guidance from the parent organization have made Hardee's franchises attractive investments. The joint support of Acme and Hardee's should accelerate the entry of Mid-Atlantic Hardee into the expanding fast-food restaurant market.

**After testing** the discount food market concept for over a year at two markets in Erie, Pa., and studying the favorable experience of Alpha Beta in adopting the discount pattern early in 1968, this new style of operation was expanded in the East.

Starting in October, six stores in northern New Jersey were converted to Super Saver markets, Acme's designation for its new discount stores. Since then five more conversions have been made in other areas of the East, and two new stores have been opened under this banner.

Super Saver stores are ones with a large selling area and are located where density of population and road patterns are such that a large number of families who tend to be high volume purchasers can be served. Lower prices are possible because of the reduced cost of doing business with higher sales per transaction and improved sales production per square foot of selling space.

This, in addition to decreased promotional costs, provides the foundation for realizing a satisfactory profit performance, even though margins are lower than conventional supermarkets.

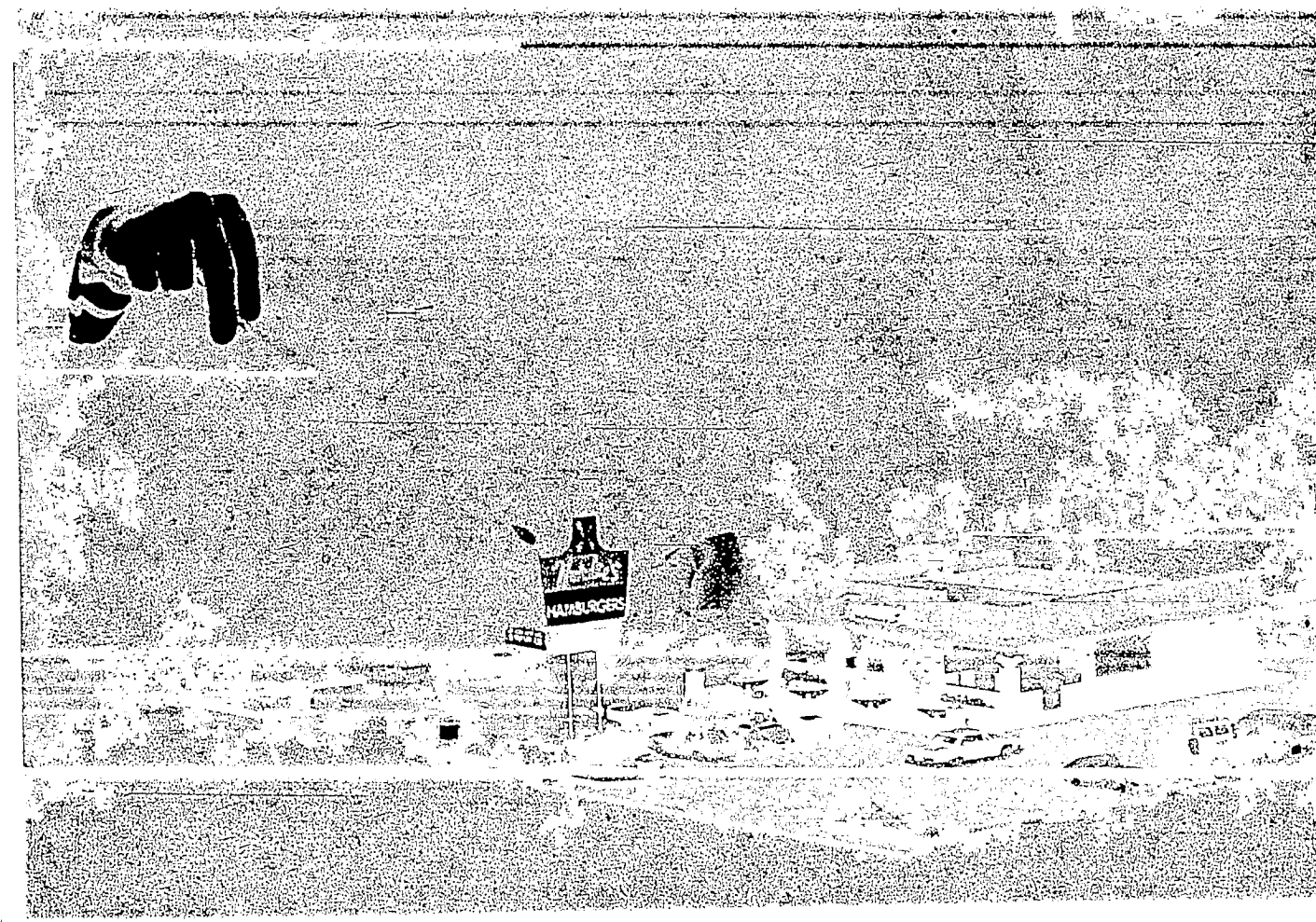
**A** Super Saver, Acme's entry into the food discounting field.

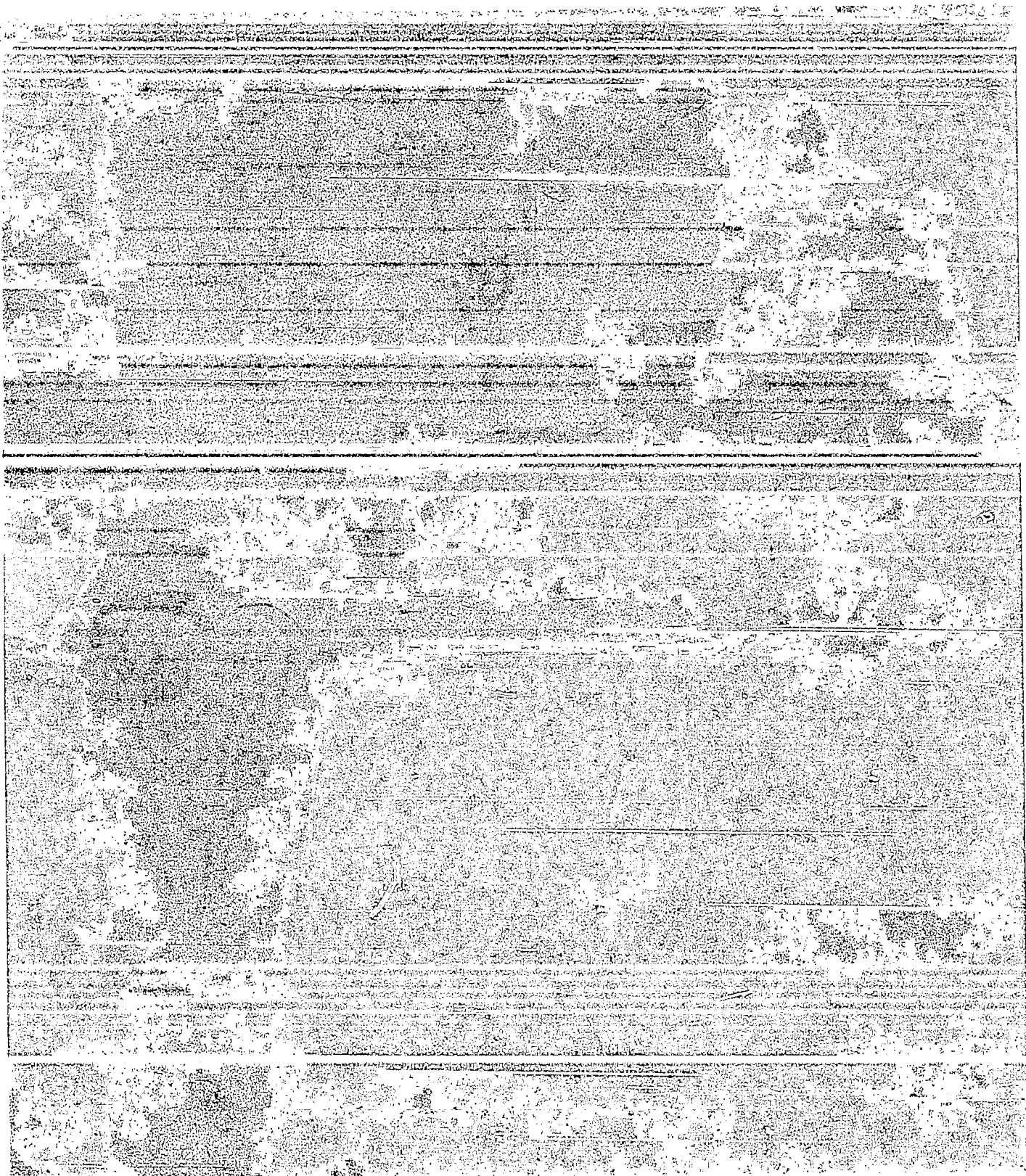
**B** Acme President John R. Park (right) and Hardee's President Leonard Rawls Jr., with model of Hardee's Restaurant.



A

B





# Financial Statements

Ten Year Summary<sup>(a)</sup>

	1969	1968	1967	1966	1965(b)	1964	1963	1962	1961	1960(b)
Sales	\$1,471,080	1,293,765	1,253,748	1,200,750	1,161,198	1,118,686	1,081,061	1,034,879	1,011,489	982,103
Earnings before income taxes	21,745	15,327	16,317	18,685	24,314	28,120	27,091	28,230	27,543	22,487
Federal and State income taxes	11,000	7,000	6,950	8,235	11,430	14,530	14,030	14,900	14,870	11,710
Net earnings	10,745	8,327	9,367	10,450	12,884	13,590	13,061	13,330	12,673	10,757
Cash dividends	5,927	5,815	5,564	5,348	5,127	4,924	4,680	4,439	4,377	4,534
Earnings for year retained in business	4,818	2,512	3,803	5,102	7,757	8,666	8,381	8,891	8,296	6,223
Net earnings per sales dollar	0.73¢	0.64¢	0.75¢	0.87¢	1.11¢	1.21¢	1.21¢	1.29¢	1.25¢	1.10¢
Earnings per share of common stock (c)	3.55	2.75	3.08	3.41	4.18	4.36	4.20	4.29	4.10	3.51
Cash dividends per share of common stock (d)	1.96	1.92	1.82	1.74	1.66	1.58	1.50	1.43	1.38	1.40
Stock dividends	2%	2%	5%	5%	5%	5%	5%	5%	5%	5%
Current assets	167,062	152,997	137,202	144,143	140,200	140,533	131,413	124,839	117,195	112,006
Current liabilities	100,730	83,950	80,056	71,749	63,901	62,267	56,396	56,683	51,614	49,283
Working capital	66,332	69,047	57,146	72,394	76,299	78,266	75,017	68,156	65,581	62,723
Current ratio	1.66	1.82	1.71	2.01	2.19	2.26	2.33	2.20	2.27	2.27
Plant and equipment additions	22,268	20,805	23,389	26,129	20,085	17,590	13,505	15,752	10,129	15,607
Provision for depreciation and amortization	14,929	14,159	13,650	12,744	11,834	10,843	10,464	9,694	9,032	8,768
Net plant and equipment	120,545	114,315	113,843	110,371	97,881	89,678	83,022	80,719	76,736	76,401
Total assets	295,542	274,603	258,502	257,357	240,461	232,968	217,327	209,064	198,069	190,855
Long-term debt, less current instalments	14,306	14,844	5,106	15,658	11,737	12,910	14,080	16,801	18,378	21,193
Common shares outstanding at year-end	3,022,650	2,963,284	2,914,205	2,789,845	2,680,992	2,588,208	2,459,730	2,334,129	2,214,849	2,097,369
Common stockholders' equity:										
Total	168,139	163,317	161,180	158,479	154,263	148,947	140,086	131,481	122,338	113,814
Per share (e)	55.63	54.03	53.16	51.81	50.17	47.78	45.04	42.41	39.62	37.07
Number of retail stores at year-end:										
Supermarkets	809	822	820	841	857	859	836	811	799	812
Other stores	75	69	67	61	72	24	26	34	41	50
Total stores	884	891	887	902	929	883	862	845	840	862

All dollar amounts are expressed in thousands, except per share and per sales dollar figures.

(a) Fiscal year ends the Saturday closest to March 31.

(b) 53 week year; other years 52 weeks.

(c) Based on average number of shares outstanding during the year, adjusted for subsequent stock dividends.

(d) In each of the ten years, cash dividends were declared on shares of Acme Markets, Inc. common stock, then outstanding, at the rate of \$2.00 per share. As computed above, per share cash dividends have been adjusted for subsequent stock dividends. For fiscal years 1960 and 1981, amounts include dividends paid by an acquired company prior to merger (which in fiscal 1960 included five quarterly dividends).

(e) Based on number of shares of stock outstanding at year-end, adjusted for subsequent stock dividends.

**Peat, Marwick, Mitchell & Co.**  
**Certified Public Accountants**  
**1500 Walnut Street**  
**Philadelphia, Pa. 19102**

The Board of Directors  
 Acme Markets, Inc.:

We have examined the consolidated balance sheet of Acme Markets, Inc. and subsidiaries as of March 29, 1969 and the related statement of earnings and the statement of consolidated source and disposition of funds for the fiscal year then ended. Our examination was made in accordance with generally accepted

auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings present fairly the financial position of Acme Markets, Inc. and subsidiaries at March 29, 1969 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, which we approve, in

capitalization policy referred to in note 3 to the financial statements. Also, in our opinion, the accompanying statement of consolidated source and disposition of funds for the fiscal year ended March 29, 1969 presents fairly the information shown therein.

*Peat, Marwick, Mitchell & Co.*

May 12, 1969

### Statement of Consolidated Source and Disposition of Funds

1969

1968

Fiscal year ended March 29, 1969 (with comparative figures for preceding year)

#### SOURCE:

Net earnings	\$10,744,816	8,326,638
Charges against net earnings not involving the expenditure of funds:		
Depreciation and amortization	14,928,508	14,158,680
Income taxes not currently payable	(140,000)	507,000
Other	242,485	241,962
Total funds provided from operations	25,775,809	23,234,280
Long-term borrowing	1,068,412	10,000,000
Proceeds from sale and leaseback of distribution center	—	4,958,573
Proceeds from sales of common stock pursuant to exercise of options	3,799	132,681
Miscellaneous, net	238,640	964,621
Total source of funds	27,086,660	39,290,155

#### DISPOSITION:

Expended for plant and equipment	22,268,368	20,805,232
Long-term debt falling due within one year	1,606,869	261,661
Cash dividends	5,926,568	5,815,172
Purchase of common treasury stock	—	506,894
Total disposition of funds	29,801,805	27,388,959
Increase (decrease) in working capital	(2,715,165)	11,901,196
Working capital at beginning of year	69,047,086	57,145,890
Working capital at end of year	\$66,331,921	69,047,086

**Statement of Consolidated Earnings****ACME MARKETS, INC. and Subsidiaries**

Fiscal year ended March 29, 1969 (with comparative figures for preceding year)

<b>CURRENT EARNINGS</b>	<b>1969</b>	<b>1968</b>
<b>Sales</b>	<b>\$1,471,080,148</b>	<b>1,293,764,675</b>
<b>Cost of sales and operating expenses:</b>		
Cost of merchandise sold, including warehousing and transportation expenses	1,170,869,408	1,025,272,019
Wages, rents, advertising, administrative and other operating expenses	262,214,376	238,070,605
Depreciation and amortization (note 1)	14,928,508	14,158,680
	<b>1,448,012,292</b>	<b>1,277,501,304</b>
<b>Operating profit</b>	<b>23,067,856</b>	<b>16,263,371</b>
<b>Other income (deductions):</b>		
Non-operating items, net	12,045	(117,247)
Interest expense	(1,335,085)	(819,486)
<b>Earnings before income taxes</b>	<b>21,744,816</b>	<b>15,326,638</b>
<b>Federal and State income taxes (note 3)</b>	<b>11,000,000</b>	<b>7,000,000</b>
<b>Net earnings</b>	<b>\$ 10,744,816</b>	<b>8,326,638</b>
<b>Net earnings per share of common stock (1968 adjusted for stock dividend paid in 1969)</b>	<b>\$3.55</b>	<b>2.75</b>

**EARNINGS RETAINED FOR USE IN THE BUSINESS**

<b>Balance at beginning of year</b>	<b>\$ 46,742,550</b>	<b>46,398,500</b>
<b>Net earnings for the year</b>	<b>10,744,816</b>	<b>8,326,638</b>
	<b>57,487,366</b>	<b>54,725,138</b>
<b>Deduct:</b>		
Cash dividends—\$2 a share (\$1.96 after adjustment for stock dividends; 1968—\$1.92)	5,926,568	5,815,172
Stock dividend—2%	2,702,040	2,167,416
	<b>8,628,608</b>	<b>7,982,588</b>
<b>Balance at end of year</b>	<b>\$ 48,858,758</b>	<b>46,742,550</b>

See accompanying notes to financial statements.



**Consolidated Balance Sheet**

March 29, 1989 (with comparative figures for 1988)

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<b>ASSETS</b>	<b>1989</b>	<b>1988</b>
<b>Current assets:</b>		
Cash	\$ 29,621,226	31,814,740
Receivables	8,250,284	6,891,117
Inventories, at lower of cost (average or first-in, first-out) or market	121,626,074	108,253,632
Prepaid expenses	5,776,891	6,037,063
Store properties covered by investors' commitments to purchase	1,787,935	—
<b>Total current assets</b>	<b>167,062,410</b>	<b>152,996,552</b>
<b>Investment real estate and other assets, at cost or less</b>	<b>7,933,894</b>	<b>7,291,717</b>
<b>Plant and equipment, at cost:</b>		
Land	18,263,941	17,084,100
Buildings	52,577,912	54,415,826
Machinery, equipment and fixtures	114,081,043	102,128,824
Leasehold costs and improvements	20,072,747	19,558,464
	<b>204,995,643</b>	<b>193,187,214</b>
<b>Less accumulated depreciation and amortization (note 1)</b>	<b>84,450,200</b>	<b>78,872,253</b>
<b>Net plant and equipment</b>	<b>120,545,443</b>	<b>114,314,961</b>
	<b>\$295,541,747</b>	<b>274,603,230</b>

See accompanying notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	1969	1968
<b>Current liabilities:</b>		
Current instalments of long-term debt (note 2)	\$ 1,606,869	261,661
Accounts payable	72,233,245	60,562,161
Accrued expenses	20,998,376	18,829,775
Federal and State income taxes	5,891,999	4,295,869
<b>Total current liabilities</b>	<b>100,730,489</b>	<b>83,949,466</b>
<b>Long-term debt, excluding current instalments (note 2)</b>	<b>14,305,847</b>	<b>14,844,304</b>
<b>Deferred income taxes (note 3)</b>	<b>10,906,000</b>	<b>11,046,000</b>
<b>Reserve for self insurance, deferred investment credit, etc.</b>	<b>1,460,304</b>	<b>1,446,400</b>
<b>Stockholders' equity:</b>		
Common stock of \$1 par value. Authorized 5,000,000 shares; issued 3,131,994 shares (1968—3,070,484 shares) (note 4)	3,131,994	3,070,484
Capital in excess of par value of common stock (note 5)	121,381,257	118,736,928
Earnings retained for use in the business, less amount capitalized through stock dividends	48,658,758	46,742,550
	<b>173,372,009</b>	<b>168,549,962</b>
Less 109,344 shares common treasury stock, at cost	5,232,902	5,232,902
<b>Total stockholders' equity</b>	<b>168,139,107</b>	<b>163,317,060</b>
	<b>\$295,541,747</b>	<b>274,603,230</b>

**1. Depreciation Policy.** Depreciation and amortization charged to earnings for financial statement purposes is generally computed using the straight-line method applied to individual property items; however, for income tax purposes depreciation is computed by accelerated methods applied to composite groupings of assets.

**2. Long-term Debt.** A summary of long-term debt at March 29, 1969 is shown below:

	Total	Current instalments	Long-term
5¾% notes payable due August 1, 1975	\$10,000,000	\$1,200,000	\$ 8,800,000
Other notes payable	1,148,211	193,951	954,260
Purchase agreement	4,764,505	212,918	4,551,587
	<u>\$15,912,716</u>	<u>\$1,606,869</u>	<u>\$14,305,847</u>

The 5¾% notes are to be repaid in equal quarterly instalments of \$400,000 commencing August 1, 1969. Among other things, the terms of the loan agreement require the company to maintain consolidated net working capital of not less than \$45,000,000. Since working capital at March 29, 1969, amounted to \$66,331,921 earnings retained for use in the business to the extent of \$21,331,921 were free of restriction as to the payment of cash dividends.

The other notes payable bear interest at various rates, generally from 4% to 6%, are to be repaid by 1978 and are in part secured by deeds of trust on certain real estate. The purchase agreement relates to a distribution center property which is included in investment real estate and requires equal semi-annual payments through 1986 applied first to interest (2% during initial 10-year period) and the remainder to principal.

**3. Income Taxes.** In accounting for income taxes the company recognizes the tax effects of all timing differences, principally relating to accelerated depreciation and reserves not currently tax deductible. For the year ended March 29, 1969, there was a net charge against the deferred income tax account of \$140,000 resulting from an excess of recorded expenses not currently deductible for tax purposes. For the preceding year a provision for taxes not currently payable of \$507,000 was added to deferred taxes.

Federal income tax expense has been reduced by \$1,050,000 and \$630,000 for the years ended in 1969 and 1968, respectively, by reason of the investment credit provisions of the Revenue Act. Credits for 1964 and prior, which were deferred, are being amortized over the estimated lives of the related assets.

The Federal income tax returns of the company for its fiscal 1963 and 1964 years have been examined by the Internal Revenue Service, and an examination is currently in progress for 1965-1967. The examining agents have proposed various adjustments, including the extension of lives used in computing depreciation of buildings and leasehold improvements and the capitalization of certain types of improvements which have consistently been expensed. The company is contesting these adjustments, but any additional tax that is ultimately paid would have no effect on net earnings or retained earnings because such adjustments would represent timing differences and payments would be applied against deferred income taxes. To minimize future timing differences, however, the company has modified its policy with respect to capitalizing certain costs of store remodeling and classification of improvements. During the year ended March 29, 1969, items capitalized which would previously have been expensed had the effect of increasing net earnings by approximately \$550,000 (18¢ a share).

For comparative purposes certain state taxes for the 1968 fiscal year have been reclassified from operating expenses to income taxes.

**4. Stock Options.** Under the company's stock option plans approved by the stockholders in 1952 and 1964 there were outstanding at March 29, 1969, options granted to 73 officers and key management employees to purchase 95,955 shares common stock at prices ranging from \$37.99 to \$63.36, such prices being either 95% or 100% of market price on the respective dates of granting, adjusted

for subsequent stock dividends. The options are exercisable on a cumulative basis over a period of 10 years or less and expire on or before January 9, 1974. The changes in options outstanding during the year are summarized as follows:

Shares under option at March 30, 1968	97,264
Additions (deductions) in 1968-1969:	
Options granted	12,300
Options exercised at \$37.99 a share	(100)
Options expired or terminated	(15,339)
Options increased by reason of 2% stock dividend paid March 29, 1969	1,830
Shares under option at March 29, 1969 (at an average option price of \$45.74)	95,955

Under the 1964 option plan an additional 49,924 shares common stock were reserved for future option grants.

#### 5. Capital in Excess of

**Par Value of Common Stock.** The increase during the year of \$2,644,329 represents the \$2,640,630 excess of assigned value over par value of 61,410 shares common stock issued as a 2% stock dividend plus the \$3,699 excess of sales proceeds over par value of 100 shares common stock sold pursuant to exercise of stock options.

**6. Lease Commitments.** At March 29, 1969, the company and subsidiaries were lessees under 922 leases, including 46 leases for stores not yet opened, covering retail locations and certain distribution center properties. Rent expense was \$21,200,000 for the year ended March 29, 1969 and aggregate future rental commitments

(excluding taxes, insurance and maintenance expenses where payable by the lessee) are approximately as follows for the periods indicated:

April 1, 1969—March 31, 1974	\$93,606,000
April 1, 1974—March 31, 1979	61,748,000
April 1, 1979—March 31, 1984	37,059,000
April 1, 1984—March 31, 1989	12,890,000
After March 31, 1989	2,721,000

Most of the leases contain renewal options which give the company the right to extend the lease for varying additional periods, often at reduced rentals.

**7. Pension Plans.** Substantially all employees of the company and its subsidiaries are covered by funded pension plans. Employees who are members of bargaining units are covered by union negotiated pension plans to which the company makes contributions based on hours worked. For other eligible employees, the company provides pension benefits through group annuity contracts with a life insurance company. The total charge to earnings for all plans (including amortization of prior service cost over periods ranging to 40 years) for the year ended March 29, 1969, was approximately \$5,819,000 compared with \$4,640,000 for the preceding fiscal year.

#### Division of Sales Dollar



For farmers, processors and transportation **\$ .7953**

To or for office and store employees **.1157**

For rent, advertising, heat, light, interest and other operating expenses **.0715**

For federal, state and local taxes **.0102**

For dividends and retained for needs of business **.0073**

**\$ 1.0000**

## Directors

James K. Robinson, Jr.  
*Vice President*

John R. Park  
*President  
and Chief Executive Officer*

Paul J. Cupp  
*Chairman  
Board of Directors*

A. J. Faulhaber  
*Vice President*

Arthur C. Kaufmann  
*Chairman  
Board of Directors  
Arthur C. Kaufmann  
and Associates, Inc.*

A. Kohr Sprenkle  
*Vice President*

Claude W. Edwards  
*Vice Chairman  
Board of Directors*

Willis J. Winn  
*Dean  
Wharton School  
of Finance and Commerce,  
University of Pennsylvania;  
Chairman  
Board of Directors  
Federal Reserve Bank  
of Philadelphia*

A. E. Gilfillan  
*Vice President  
and Assistant Secretary*

James A. Hamill  
*Vice President*

Thomas T. Oyler  
*Vice President  
and Treasurer*

Edward J. Dwyer  
*President  
ESB Incorporated*

## Officers

Paul J. Cupp  
*Chairman  
Board of Directors*

Claude W. Edwards  
*Vice Chairman  
Board of Directors*

John R. Park  
*President  
and Chief Executive Officer*

James K. Robinson, Jr.  
*Vice President*

A. J. Faulhaber  
*Vice President*

A. Kohr Sprenkle  
*Vice President*

Wm. Carlisle Ferguson  
*Vice President*

Gordon E. Hovey  
*Vice President*

A. E. Gilfillan  
*Vice President  
and Assistant Secretary*

James A. Hamill  
*Vice President*

Thomas T. Oyler  
*Vice President  
and Treasurer*

E. A. Colson  
*Secretary*

S. A. Gould  
*Assistant to the President*

C. Herbert Fry  
*Controller*

A. Balfour Brehman, Jr.  
*Assistant Secretary*

Rowland G. Weber  
*Assistant Secretary*

Ellen M. Campbell  
*Assistant Treasurer*

John G. C. Fuller  
*Assistant Treasurer*

## Retail Subsidiary Companies

Alpha Beta Acme Markets, Inc.  
Clifford T. Haskell  
*President  
and Chief Executive Officer*

Rea & Derick, Inc.  
Gorden H. Griffith  
*President  
and Chief Executive Officer*

## Transfer Agents

*The First Pennsylvania  
Banking and Trust Company  
Philadelphia, Pa.*

*Bankers Trust Company  
New York, N. Y.*

## Registrars

*The Fidelity Bank  
Philadelphia, Pa.*

*First National City Bank  
New York, N. Y.*

## Stock Exchanges

*New York Stock Exchange*

*Philadelphia-Baltimore-Washington  
Stock Exchange*

In photos at right, members of Board of Directors tour Acme's Lincoln, Nebr., meat packing plant.

**A** From left, Arthur Kaufmann, Paul Cupp; second from right, Willis Winn; third from right, Edward Dwyer.

**B** Left, Paul Cupp; right, Kohr Sprenkle.

**C** From left, George David, plant manager; Claude Edwards.

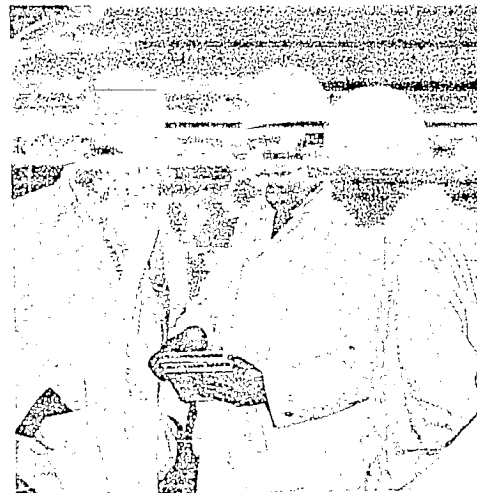
**D** Far left, Arthur Kaufmann; from right, Claude Edwards, John Park, A. E. Gilfillan.

**E** From left, Willis Winn, John Park, James Hamill, Edward Dwyer, Thomas Oyler; second from right, James Robinson.

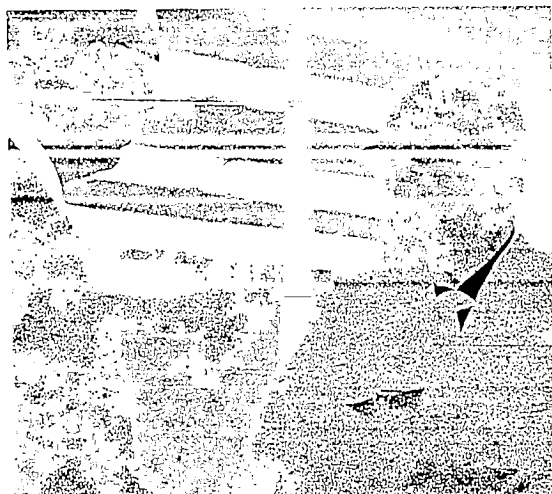
**F** From left, John Park, A. J. Faulhaber.



A



B



C



D



E



F